

§ 131E-282. Issuance of license.

(a) Before issuing a PSO license, the Division may make an examination or investigation as it deems expedient. The Division shall issue a license after receipt of a substantially complete application and upon satisfaction of the following requirements:

- (1) The applicant is duly organized as a provider sponsored organization as defined by this Article.
 - (2) The PSO has initially a minimum net worth of one million five hundred thousand dollars (\$1,500,000). In the event the PSO submits a financial plan that demonstrates that the PSO does not have to create but has or has available to it an administrative infrastructure that shall reduce the PSO's start-up costs, the Division may lower the initial minimum net worth required to one million dollars (\$1,000,000) or to any lower amount as determined by the Division if the PSO operates primarily in rural areas.
 - (3) The PSO shall have at least seven hundred fifty thousand dollars (\$750,000) in cash or equivalents on its balance sheet, except that the Division may permit a PSO operating primarily in rural areas to have a lesser amount held in cash or equivalents on its balance sheets.
 - (4) The applicant submits a financial plan satisfactory to the Division which covers the first 12 months of operation of the PSO's Medicare contract and which meets the requirements of G.S. 131E-283. If the plan projects losses, the financial plan shall cover the period through 12 months beyond projected breakeven.
 - (5) The Division determines that the applicant has sufficient cash flow to meet its obligations as they become due. In making that determination, the Division shall consider the following:
 - a. The timeliness of payment;
 - b. The extent to which the current ratio is maintained at one-to-one, or whether there is a change in the current ratio over a period of time; and
 - c. The availability of outside financial resources.
- (b) In calculating the net worth of a PSO, the Division shall admit the following:
- (1) One hundred percent (100%) of the book value of health care delivery assets on the balance sheet of the applicant.
 - (2) One hundred percent (100%) of the value of cash and cash equivalents on the balance sheet of the applicant.
 - (3) If at least one million dollars (\$1,000,000) of the initial minimum net worth requirement is met by cash or cash equivalents, then one hundred percent (100%) of the book value of the PSO's intangible assets up to twenty percent (20%) of the minimum net worth amount required. If less than one million dollars (\$1,000,000) of the initial minimum net worth requirement is met by cash or cash equivalents or if the Division has used its discretion to reduce the initial net worth requirement below one million five hundred thousand dollars (\$1,500,000), then the Division shall admit one hundred percent (100%) of the book value of intangible assets of the PSO up to ten percent (10%) of the minimum net worth amount required.
 - (4) Standard accounting principles treatment shall be given to other assets of the PSO not used in the delivery of health care for the purposes of meeting the minimum net worth requirement.
 - (5) Deferred acquisition costs shall not be admitted. (1998-227, s. 1.)